

KEVYN ORR  
CITY OF DETROIT, MICHIGAN

September 16, 2013  
169-172

1	retained Christie's to appraise this City-owned art?	Page 169	1	Q. I'm not asking about decisions, I'm just asking what	Page 171
2	A. Yes.		2	you considered.	
3	Q. And have you gotten back any information yet from		3	A. We considered a lot of things, yes.	
4	Christie's as to the appraised value?		4	Q. And have you -- well, then can you answer my question	
5	A. No.		5	more specifically? What if any ways to monetize the	
6	Q. And do you have any understanding as to the value of		6	art have you considered other than an outright sale?	
7	the appraised -- of the art that's being appraised		7	A. I think there's been discussions about some form of --	
8	independent of what -- of Christie's as a source?		8	and I'm not clear because to be direct, I know that	
9	A. Only what I've read in various news articles and		9	some of my -- I've never been to DIA, I don't think	
10	blogs.		10	I've ever spoken with their board, I know that some of	
11	Q. And I think you've seen press reports indicating that		11	my consultants have been over there and have had	
12	for some of the most important works alone the value		12	various discussions about the art. I think the	
13	could be at least 2.5 billion or something on that		13	discussions were very high level and very general.	
14	order?		14	That's what I know.	
15	A. We talked about press reports earlier and I was		15	Q. Okay, that's really very nonspecific. Are you aware	
16	cautioned to be careful so I'm going to say the same.		16	of any specific consideration given to any form of	
17	Q. I'm just asking.		17	monetizing the art other than an outright sale?	
18	A. I'm trying to respond to your question. I'm going to		18	A. No, nothing specific.	
19	say the same thing about press reports here. I have		19	Q. Could be a lease -- sorry, but nothing has been	
20	seen press reports reporting various values for the		20	identified as a possible route to monetize?	
21	art.		21	A. Nothing specific. There have been discussions, but	
22	Q. And have you seen press reports reporting for the most		22	nothing specific.	
23	important pieces alone values on the order of		23	Q. Have there been discussions of leasing as a possible	
24	2.5 billion?		24	way to monetize?	
25	A. I don't recall if I've seen those specific press		25	A. Possibly, yes.	
1	reports.	Page 170	1	Q. Okay. And do you have any understanding of the amount	Page 172
2	Q. Do you have any reason to believe that the value of		2	of cash flow that could be generated on an annual	
3	the City-owned art is less than something on that		3	basis if the art were leased?	
4	order of magnitude?		4	A. Sitting here today, no.	
5	A. I'm relatively agnostic on the value of the art at		5	Q. Has that number been talked about? Is there a	
6	this point. I'm waiting to see the appraisal.		6	document that might discuss that?	
7	Q. Do you have any understanding as you sit here today as		7	A. No, no, there's no document. I -- I -- in an effort	
8	to what the value of the City-owned art is?		8	to be accurate, I think I had a discussion with one of	
9	A. No.		9	the representatives at Christie's that was generally	
10	Q. Are you considering selling the City-owned art to		10	speaking leasing is a very difficult thing to do.	
11	generate cash?		11	That's the nature of the discussion, that you would	
12	A. What I've said consistently is all options on the		12	have to have the right pieces at the right time at the	
13	table, but we first have to decide what we're talking		13	right market to generate cash.	
14	about.		14	Q. So there was no discussion about the amount of money	
15	Q. Do you have any understanding as to how long it would		15	it could generate?	
16	take to sell the art if a decision were made to sell		16	A. No, no, it -- there was some discussion about	
17	it?		17	\$1 million, for instance, or something like that, but	
18	A. No.		18	it's nothing substantive.	
19	Q. Have you considered other ways to monetize the art		19	Q. Okay. Now, the City also has a department of water	
20	besides an outright sale?		20	and sewers; is that right?	
21	A. All options are on the table.		21	A. Yes.	
22	Q. Well, have you considered any others in particular?		22	Q. And as I understand it, the department of water and	
23	A. We have not made -- meaning my team and I have not		23	sewers operates as a separate entity for accounting	
24	made any decisions with regard to the art contained at		24	and operating purposes?	
25	DIA.		25	A. As a result of Judge Cox's opinion, it has separate	



800.211.DEP0 (3376)  
EsquireSolutions.com

<p>1 procurement, accounting and managerial 2 responsibilities, but as it's stated in that opinion, 3 it remains an asset in the department of the City. 4 Q. And is it correct that the water and sewer department 5 has issued secured bonds? 6 A. Yes, they're in my June 14th proposal. 7 Q. Okay, and I don't recall. What was the value of the 8 bonds that were issued? 9 A. The secured portion of the bonds all in, but this also 10 includes some parking -- parking was 95 million, some 11 dedicated state revenue bonds was a couple hundred 12 million, but generally speaking about 5.7 billion. 13 Q. And those bonds -- the 5.7 billion is secured by the 14 assets of the department? 15 A. Yes, yes. 16 Q. And as you understand it, does the value of the assets 17 of the department of water and sewers exceed the 18 values of the secured bonds? 19 A. I don't know if there's been a formal appraisal, but I 20 certainly would hope so. 21 Q. Do you have an understanding of the value of the water 22 and sewer assets? 23 A. Not sitting here today. 24 Q. Do you have a general understanding, a general 25 recollection?</p>	Page 173	Page 175
<p>1 A. When you talk about asset values, you're talking about 2 switches, pipes, valves, things along that nature. I 3 don't think I've ever seen an appraisal of the value 4 of the assets of the water and sewer department. 5 Q. Do you have a general understanding of what the value 6 of the assets -- 7 A. No. 8 Q. -- is worth? 9 A. No. 10 Q. Have you taken any steps to monetize the value of the 11 assets owned by the water and sewer department? 12 A. When you say monetize, I'm going to respond to the 13 question on the basis that monetize is in the broad 14 sense -- 15 Q. Uh-huh. 16 A. -- not whether it's a lease, whether it's a sale, 17 getting authority. 18 Q. Just get money for it. 19 A. Get money for it, get some dough, okay, just want to 20 be clear. Discussions are ongoing in that regard. 21 Q. What are those discussions in a nutshell? 22 A. Those are commercially sensitive so I don't want to 23 interfere. Suffice it to say, the -- Judge Cox's 24 opinion spoke to the possibility of creating an 25 authority that would remove the water and sewer</p>	Page 174	Page 176
		<p>1 General retirement fund. 2 Q. Right. And how were payments to the retirement fund 3 for those employees to be made? In other words, were 4 they to be made directly by the department of water 5 and sewer, to the Retirement Systems or were they made 6 by the department of water and sewer to the City, 7 which then was to remit them to the Retirement 8 Systems? 9 A. You're talking about the transaction or steady state 10 now? 11 Q. The steady state. 12 A. Steady state now. My understanding is that's part of 13 the City's obligation. 14 Q. So the DWS, department of water and sewers, is to give 15 the money for the retirement to the City, the City 16 was -- 17 A. City makes it. 18 Q. -- was then supposed to make the payment to the 19 Retirement Systems? 20 A. Uh-huh. 21 Q. And are you aware of any funds that were transmitted 22 by the department of water and city (sic) to the City 23 for the purpose of funding pensions that were then 24 used by the City for other purposes? 25 A. I don't know if you can identify specific water and</p>

<p>1 department?</p> <p>2 A. Let me say it this way. We have examined a number of 3 options and alternatives related to DWSD including 4 those that might be implicated by your question.</p> <p>5 Q. So is the answer to my question yes, you have 6 considered that?</p> <p>7 A. We have considered all operations at DWSD including 8 those that might be implicated by your question. I 9 said before I'm going to be very careful so I don't 10 interfere with the commercial aspects with what's 11 going on now.</p> <p>12 Q. And can you tell me how much you believe or understand 13 the City can take from the capital fund from DWSD in 14 order to satisfy its ongoing obligations if it chose 15 to do that?</p> <p>16 A. I didn't say --</p> <p>17 MR. SHUMAKER: Objection to form.</p> <p>18 A. I didn't say that we would take any capital, I said 19 we'd consider it.</p> <p>20 Q. I didn't -- I'm asking can you tell me how much would 21 you understand is available to take if the City 22 decides to go down that route?</p> <p>23 A. No, I can't tell you that.</p> <p>24 Q. Have you done any analysis of that?</p> <p>25 A. Analysis is a strong word. Have we looked at the</p>	<p>Page 181</p> <p>1 when you talk about values, there's a range of values 2 from asset disposition and outright sale and 3 privatization to creating an operation or an authority 4 where someone has brought in, as has been done in 5 Washington, D.C., to actually operate the garages and 6 meters. So we're looking at a range of alternatives 7 to determine what those values could be.</p> <p>8 Q. What's the range of values you're looking at so far?</p> <p>9 A. We don't have that yet.</p> <p>10 Q. How concrete have you -- let me withdraw that. 11 What specific steps have been taken so far?</p> <p>12 A. Our investment advisors and consultants are beginning 13 discussions with various parties that undertake these 14 types of operations within a range of alternatives to 15 try to assess values.</p> <p>16 Q. And the investment advisors, would that be Buckfire?</p> <p>17 A. Yeah, it would be our investment banker, Ken Buckfire, 18 Miller Buckfire.</p> <p>19 Q. Okay. In the June 14th proposal you also make 20 reference to about 22 square miles of land that the 21 City owns?</p> <p>22 A. City-owned land, yes.</p> <p>23 Q. Do you have an understanding as to the value of that 24 land?</p> <p>25 A. I've been informed that some of the value is at best</p>
<p>1 options and related to the transaction all 2 potentialities, but I can't tell you what that number 3 would be.</p> <p>4 Q. Who within the City would be most knowledgeable about 5 the capital funds that are available at the DWSD?</p> <p>6 A. At the City?</p> <p>7 Q. Yeah.</p> <p>8 A. Probably the operations at DWSD.</p> <p>9 Q. You also made reference in the June 14th proposal to 10 the parking systems that the City owns.</p> <p>11 A. Yes.</p> <p>12 Q. And as I understand it there are nine garages?</p> <p>13 A. Yes.</p> <p>14 Q. Two lots with over 1,200 spaces?</p> <p>15 A. Yes.</p> <p>16 Q. And over 3,400 meters?</p> <p>17 A. Yes.</p> <p>18 Q. Do you have an understanding as to the value of those 19 assets?</p> <p>20 A. No, we're currently doing our analysis as to the value 21 of those assets now.</p> <p>22 Q. And you have no preliminary view as to what they're 23 worth? Nothing's been reported back to you on at 24 least a tentative basis?</p> <p>25 A. No, nothing has been reported back to me on -- because</p>	<p>Page 182</p> <p>Page 184</p> <p>1 nominal, but no, sitting here today, I do not have a 2 number as to the value of the land.</p> <p>3 Q. Have any steps been taken to try to monetize that 4 value, to get dough as you put it?</p> <p>5 A. Yeah. Well, here again, you're -- to get income 6 realization perhaps I should say more articulately, 7 but here again, we're at the preliminary steps of 8 examining potential alternatives regarding land.</p> <p>9 Q. So you don't know yet?</p> <p>10 A. No.</p> <p>11 Q. The Belle Isle Park, that's also referenced in the 12 June 14th proposal?</p> <p>13 A. Yes.</p> <p>14 Q. It's indicated that there's a prospective lease to the 15 state?</p> <p>16 A. Yes.</p> <p>17 Q. Okay. And do you expect that to go through?</p> <p>18 A. I'm going to ask for it. It was proposed and was not 19 accepted in time so the state withdrew it, but I do 20 believe we're going to intend to ask that that lease 21 be renewed.</p> <p>22 Q. And what's the annual rent the City would get under 23 that lease?</p> <p>24 A. The City has a \$6 million maintenance obligation and 25 that would be taken up by the state so that wouldn't</p>

<p>1 level but the state to the best of my knowledge didn't 2 participate in any authorship. 3 Q. Okay, I'm not talking about the drafting of the 4 document -- 5 A. Yeah, yeah. 6 Q. -- but the formulation of the actual ideas or 7 proposals that are contained in the document. 8 A. No. 9 Q. Did the state have input into that? 10 A. No. The -- well, let me say it this way without 11 talking about what was said. Generally the -- some of 12 the advisors have been in the City for years if not 13 months and have been reviewing this issue so I'm 14 talking about from the time I was there and what I'm 15 aware of. Generally the process once I became 16 involved was we, meaning my immediate restructuring 17 team, reviewed the issues and prepared proposals and 18 then may have discussed them at a high level with the 19 state, but as I said, there wasn't authorship in those 20 proposals at the state level to the best of my 21 knowledge. 22 Q. Okay. Let me refer you to the June 14th proposal, 23 which is Exhibit 9 of your deposition. 24 A. Yes. 25 Q. And let me refer you in particular to page 109.</p>	Page 245	<p>1 Q. At the time the City filed for bankruptcy, was it your 2 view that there had to be significant cuts in accrued 3 vested pension amounts for both active and currently 4 retired persons? 5 A. Yes. 6 Q. And is it still -- still your view today? 7 A. Yes, based upon our analysis, yes. 8 Q. This conclusion that there must be significant cuts in 9 accrued vested pension amounts for both active and 10 currently retired persons, was that assertion or that 11 idea or that notion discussed by you with the governor 12 at any time before June 14th, 2013? 13 A. Outside of meetings with attorneys? 14 MR. SHUMAKER: Outside of meetings or calls 15 with attorneys present. 16 Q. Yeah, I'm not looking to infringe your attorney-client 17 privilege. 18 A. I know. I just don't recall all of the meetings. It 19 may have been discussed outside those meetings. 20 Q. Well, do you have a recollection? 21 A. I do not have a recollection of specific discussions. 22 Q. Just so I understand your testimony, are you saying it 23 was -- it may have been discussed but you're not sure 24 whether or not it was discussed in meetings that were 25 outside the attorney-client privilege? Is that your</p>	Page 247
<p>1 A. Original 109? 2 Q. Yeah, not the stamp. 3 A. Not the Bates stamp, yes. 4 Q. Right. There's the third bullet point from the bottom 5 of the page. You can read that. It's a two line 6 bullet point, you can read it, but what I want to 7 focus on is the language that there must be 8 significant cuts in accrued benefit pension amounts 9 for both active and currently retired persons. Do you 10 see that language? 11 A. Yes. 12 Q. Okay. And did you believe that what I just read out 13 loud, that statement, to be true as of June 14th? Did 14 you believe that there had to be, the cuts that are 15 referred to there? 16 A. Yes, based upon our analysis, yes. 17 Q. And did you believe that at the time that the City 18 filed for bankruptcy? 19 A. Did I believe that at the time the City filed for 20 bankruptcy? 21 Q. At the time the City filed for bankruptcy -- 22 A. Yes. 23 Q. Let me just finish the question for the clarity of the 24 record. 25 A. I'm sorry.</p>	Page 246	<p>1 testimony? 2 A. Yes. It -- well, to clarify, I think it -- some 3 concept probably was discussed, but I'm not sure it 4 was discussed outside of attorney-client meetings -- 5 Q. Okay. 6 A. -- attorney-client privilege. I want to be clear. 7 Q. Again, without infringing attorney-client privilege, 8 did the state, and when I say the state, I mean the 9 governor, his senior staff, Mr. Dillon, his staff, 10 ever speak to you or your team asserting that there 11 had to be significant cuts in accrued vested pension 12 amounts? 13 A. I don't recall the state ever, as you say, asserting 14 that there had to be. 15 Q. At the time you filed for bankruptcy or when the City 16 filed for bankruptcy, was it your intent absent a 17 consensual deal with the relevant stakeholders that 18 accrued vested pension amounts for both active and 19 currently retired persons would be cut? 20 A. Well, first it was our intent that we reach some sort 21 of understanding with stakeholders, that's why we 22 asked for the formation of a retiree committee, 23 because we recognize we needed to have representation 24 on those issues. Secondly, what we're asking for and 25 what we proposed in this proposal was the size of the</p>	Page 248